

Message Text

UNCLASSIFIED

PAGE 01 STATE 102436

42

ORIGIN EA-04

INFO OCT-01 ADP-00 /005 R

66605

DRAFTED BY: EA/ J: HLEVIN

APPROVED BY: EA/ J- MR. LEVIN

----- 069145

R 291824 Z MAY 73

FM SECSTATE WASHDC

TO AMEMBASSY TOKYO

UNCLAS STATE 102436

FOLLOWING SENT ACTION SECSTATE INFO BY POUCH TO CIUDAD JUAREZ,
GUADALAJARA, HERMOSILLO, MAZATLAN, MERIDA, MONTERREY, NUEVO
LAREDO, TIJUANA FROM MEXICO MAY 26 REPAEATED YOU:

QUOTE

UNCLAS MEXICO 3768

E. O. 11652: N/ A

TAGS: EGEN, ETRD, EFIN, MX

SUBJECT: IMPLICATIONS FOR US EXPORTS OF RECENT FOREIGN
EXCHANGE DEVELOPMENTS

REF: STATE 077866

1. SUMMARY: IMPACT OF MONETARY DEVELOPMENTS HAS BEEN FELT
LESS IN MEXICO DUE TO FACT PESO REMAINS FIRMLY PEGGED TO
DOLLAR. INCREASED PRICE COMPETITIVENESS US PRODUCTS OFTEN OFFSET
BY JAPANESE AND EUROPEAN AGGRESSIVE MARKETING, PRICE- CUTTING
TO OFFSET REVALUATIONNS, AND OFFERS BETTER FINANCING TERMS.
US SHOULD BE ABLE INCREASE SALES CERTAIN CAPITAL AND PRODUCER
GOODS, ESPECIALLY IN LIGHT DRAMATIC UPWARD MOVEMENT FLOATING
YEN AND CERTAIN EUROPEAN CURRENCIES; HOWEVER, IMPROVEMENT
IN OUR MARKET SHARE ONLY CAN COME IT US BUSINESSMEN MATCH
AGGRESSIVE EFFORTS ON PART OF OUR COMPETITORS IN TERMS OF MARKETING
AND CREDIT TERMS. END SUMMARY.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 STATE 102436

2. GOM IS DETERMINED TO MAINTAIN PESO EXCHANGE RATE WITH DOLLAR, AND HAS DONE SO IN BOTH 1971 AND RECENT DEVALUATIONS. AS A RESULT, THES ACTIONS HAVE HAD RELATIVELY LESS EFFECT IN MEXICO THAN IN THOSE COUNTRIES WHOSE CURRENCIES HAVE BEEN REVALUED. THIS OFFERS MEXICO OPPORTUNITIES TO INCREASE SALES OF MEXICAN GOODS IN US MARKET (SOME 70 PERCENT OF MEXICAN EXPORTS ARE SOLD IN THE US) IN COMPETITION WITH EXPORTS FROM COUNTRIES WHOSE EXCHANGE RATES HAVE APPRECIATED, AND ALSO ENHANCES ATTRACTIVENESS OF MEXICO FOR TOURISTS (WHICH IN 1972 AMOUNTED TO SOME 2.5 MILLION). MOST OF THE TOURISTS COME FROM US, AND AMERICAN TOURISTS FIND MEXICO RELATIVELY LESS EXPENSIVE THAN REVALUING COUNTRIES IN EUROPE, OR JAPAN.

3. IN GENERAL, MEXICAN EXPORTS TO THIRD COUNTRIES ARE NOT IN COMPETITION WITH US EXPORTS, BU IN THE FEW INSTANCES WHERE THEY ARE, RELATIVE PRICES ARE UNCHANGED AS PARITY HAS BEEN MAINTAINED BETWEEN OUR TWO CURRENCIES.

4. MEXICO FOUR MANY YEARS HAS BEEN AND REMAINS OUR FIFTH OR SIXTH LARGEST EXPORT MARKET. IN 1972, MEXICO PURCHASED APPROXIMATELY 60 PERCENT OF HER TOTAL IMPORTS FROM US. US MARKET SHARE HAS FALLEN SLIGHTLY BUT CONSISTENTLY EACH YEAR FOR THE PAST DECADE. THIS IS PARTIALLY DUE TO THE CONSCIOUS POLICY OF THE ECHEVERRIA ADMINISTRATION TO DIVERSIFY MEXICO' S FOREIGN MARKETS AND TO REDUCE DEPENDENCY ON US. RECENT CURRENCY REVALUATIONS GIVE US BUSINESSMEN THE OPPORTUNITY TO HALT OR REVERSE THIS SLOW TREND TOWARD PERCENTAGE REDUCTION IN US SHARE OF THE MEXICAN MARKET, BUT CONVERTING OPPORTUNITY INTO REALITY WILL REQUIRE AGGRESSIVE MARKETING, AND DEVELOPING FINANCING PACKAGES WHICH ARE COMPETITIVE IN TERMS REPAYMENT PERIODS AND INTEREST CHARGES.

5. DESPITE 1971 REVALUATION YEN, JAPAN WAS ABLE TO MAINTAIN ITS MARKET SHARE DURING 1972, HAVING INCREASED SALES BY 24 PERCENT IN A YEAR WHEN MEXICO' S TOTAL IMPORTS INCREASED BY 22 PERCENT. JAPANESE BUSINESSMEN ARE DETERMINED TO MAINTAIN OR IMPROVE PRESENT FOUR PERCENT SHARE OF MEXICAN MARKET, BUT WHETHER THEY CAN DO SO IN FACE OF REVALUED AND UPWARD FLOATING YEN REMAINS TO BE SEEN. ANOTHER DEVELOPMENT WHICH MAY BE SIGNIFICANT IS ANTICIPATED GROWTH OF JAPANESE INVESTMENT (AIRGRAM TO FOLLOW).

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 STATE 102436

6. AS SUGGESTED ABOVE, IMPROVED US PRICE COMPETITIVENESS AS RESULT RECENT MONETARY CHANGES IS ONLY ONE FACTOR AND PERHAPS NOT MOST IMPORTANT IN DETERMINING US MARKET SHARE. INCREASINGLY EFFECTIVE MARKETING ACTIVITIES IN MEXICO BY JAPAN, WEST GERMANY, AND OTHER INDUSTRIALIZED COUNTRIES TEND TO COUNTERBALANCE RELATIVELY IMPROVED US PRICE. THESE COUNTRIES ABSORB A SIGNIFICANT AMOUNT OF THE EFFECT OF REVALUATION ON

PRICES, AND ARE OFFERING EVER MORE ATTRACTIVE FINANCING PACKAGES. FOR EXAMPLE, JAPANESE BANKING CONSORTIUM LAST WEEK REPORTEDLY OFFERED MEXICAN FEDERAL ELECTRICITY COMMISSION 15 YEAR TERMS FOR PURCHASE OF JAPANESE GAS TURBINES WITH INTEREST RATE 3/4 OF A POINT OVER EURODOLLAR MEDIUM- TERM RATE.

7. ON OTHER HAND, US STILL HAS ADVANTAGE OVER COMPETITORS IN TERMS OF RAPID DELIVERY OF EQUIPMENT AND REPLACEMENT PARTS GIVEN FAVORABLE GEOGRAPHY AND TRANSPORTATION, LONG TIME EXPOSURE TO US PRODUCTS, AND WIDESPREAD FAMILIARITY WITH ENGLISH IN MEXICO AND PARALLEL SPANISH LANGUAGE FACILITY BY MANY US BUSINESSMEN. THUS, AS NOTED ABOVE, WHAT APPARENTLY IS NEEDED IS MORE AGGRESSIVE MARKETING AND MORE COMPETITIVE FINANCING PACKAGES FOR US SUPPLIERS.

8. MEXICO IMPORTED MORE THAN 75 PERCENT OF ITS FOREIGN AGRICULTURAL COMMODITIES FROM THE US IN 1972. THE US PERCENTAGE HAS BEEN STEADILY GROWING FOR THE PAST FIVE YEARS AND IS EXPECTED TO INCREASE EVEN FURTHER IN 1973 AND BEYOND, PARPIALLY AS A RESULT OF THE MONETARY REALIGNMENTS, BUT MORE SO DUE TO IMMEDIATE AVAILABILITY OF SUPPLIES (SUCH AS FOOD GRAIN
E E E E E E E

*** Current Handling Restrictions *** n/a

*** Current Classification *** UNCLASSIFIED

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 29 MAY 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973STATE102436
Document Source: CORE
Document Unique ID: 00
Drafter: EA/ J: HLEVIN
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: SECSTATE WASHDC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730556/aaaajyqp.tel
Line Count: 135
Locator: TEXT ON-LINE
Office: ORIGIN EA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags: ANOMALY
Review Date: 25 OCT 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <25-Oct-2001 by kuehnbc0>; APPROVED <28 FEB 2002 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> wfs 980311
Subject: IMPLICATIONS FOR US
TAGS: EFIN, EGEN, ETRD, MX
To: TOKYO
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005